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for anything like the same car space. To put it briefly, mail matter may be described as matter of a class by itself, owing not only to the special modes of carriage here glanced at, but to its importance to the trade and commerce, the domestic comfort and the intellectual life of the country; as well as to the necessity of giving it the most careful and at the same time expeditious despatch which the resources of a railway are capable of affording.

Methods of European Governments.

Again, the manner of paying railways for carrying the mails varies so much that Governments are unable to profit by each other's experience whether with the view of reducing or of augmenting the annual outlay under this head. In Germany, where the railways are owned and operated by the several States of the Empire, all mail matter, except parcels beyond a certain size, is carried free. The Post Office Department supplies the postal cars and performs the side services, *i.e.*, the conveyance of the mails to and from the railway stations. In

$2,046,000
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Canadian Railway Postal Payments.

To the Honourable

The Postmaster-General of Canada,

Ottawa.

MEMORANDUM [illegible] PORT OF THE CLAIM OF THE CANADIAN PACIFIC [illegible] COMPANY FOR INCREASED COMPENSATION FOR THE C[illegible]GE OF HIS MAJESTY'S MAILS.

The payment of railways for the transportation of mails is a subject beset with difficulties. In the first place, the conveyance of mail matter cannot very well be compared to the conveyance of any other matter by rail. Mail is not, like freight, carried in car-load lots, but, on the chief lines, in postal cars; which, owing to the great amount of space required by the clerks who work *en route,* cannot be loaded, even in the United States, where the largest cars are used, much beyond two tons per car. The cost of hauling ordinary freight has of late been considerably reduced through the improvement of roadbeds and the

the United States, where the largest cars are used, much beyond two tons per car. The cost of hauling ordinary freight has of late been considerably reduced through the improvement of roadbeds and the enlargement of locomotives and rolling stock — in other words, by the reduction of the ratio of dead weight to profitable load; but obviously no reduction of a like or of any kind can be made in the case of mails carried in a modern postal car, the carrying capacity of which is artificially restricted to a tenth or a fifteenth of its actual capacity. Hence the law that as traffic increases the unit cost of hauling diminishes, does not and cannot apply to mail matter.

Then again, the transportation of mails involves that of a large number of mail clerks every day, has precedence over the carriage of all other traffic and is performed by passenger trains, differing in these and other particulars from the transportation of ordinary freight, through or local. In like manner, it differs from the transportation of express matter, which is subordinated to the mails and does not call for anything like the same car space. To put it briefly, mail matter may be described as matter of a class by itself, owing not only to the special modes of carriage here glanced at, but to its importance to the trade and commerce, the domestic comfort and the intellectual life of the country; as well as to the necessity of giving it the most careful and at the same time expeditious despatch which the resources of a railway are capable of affording.

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on these two classes of trains, since they are run to suit the business of the Department rather than that of the railway. The rate of pay for postal cars on "notice" trains is usually 43 cents per train mile; on "agreement" trains, 25 cents. Postal cars are provided by the railways, but if cars of a more expensive type than the standard prescribed in the contract are required, the cost is borne by the Post Office Department. If the Department desires extra speed it pays for it. The Department also performs the side services.

On the ordinary trains in England, on which closed mails are carried, the railways are paid half the rate charged for the conveyance of private parcels; but each mail bag, however small, is deemed a separate parcel. That is to say, the Department does not pay for the gross quantity carried on a train, but for each bag by itself at the rate of 4 cents a pound up to 30 miles, the rate increasing according to weight and distance. The reason why half rates only are paid is apparent. Parcels sent by private consignors have to be carried to the station by the railway company, and, on reaching their destination, delivered by the company to the consignee; whereas in the case of mail bags this work is performed by the Post Office Department. In all the principal European countries the side services are done by the Department on the theory that it is morally bound to retain possession of matter entrusted to it from the time of mailing until the time of delivery; that is, so long as it is responsible for it.

The System in the United States.

In the United States various modes of payment have been tried, although payment by weight has almost always been the basis. Two main principles have been kept to the front: first, that routes on which traffic is sparse are exposed to a higher cost for a given service than routes on which traffic is dense; second, that a thinly settled community

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France, where the Government guarantees the stocks and bonds of the leading railways, which in return construct secondary or branch lines even where they are not immediately profitable, the Post Office Department is entitled to use, without charge, one special mail train each way every day carrying as many postal cars as may be necessary; and, further, one postal car on every ordinary train. For any service beyond this, the railways are paid on a train or running-mile basis, the rates ranging for cars on ordinary trains from 8c. to 16c. per mile. The postal cars are built and maintained by the Department, which also performs the side service.

In England a special contract is made with each railway. In former times such contracts were made with the coaching lines, each contract differing from another as conditions of route and of work varied. Contracts with the railways are made on much the same principle. They deal with three classes of trains:—

(1) *Notice or control trains*—These are prescribed by the Post Office Department, and are really special trains, although they may carry passengers.

(2) *Agreement trains.*—Here the railway concedes that the time of departure and arrival fixed by the Department suits its convenience, more or less.

(3) *Ordinary passenger trains.*—These, of course, are controlled altogether by the railways. The mails are carried in bags or closed pouches.

In the case of the first and second classes of trains above mentioned, the remuneration paid to the railway is determined by the Post Office and railway officials, the Railway Commission acting, if necessary, as arbitrator. Weight of matter carried is not taken into account. The Department pays the railway a sum sufficient to make up the deficiency in the receipts from passengers and parcels which, it is assumed, occurs on these two classes of trains, since they are run to suit the business of the Department rather than that of the railway. The rate of pay for postal cars on "notice" trains is usually 42 cents per train-mile;

is entitled, from considerations of public policy, to a better railway mail service than the amount of its mail traffic may warrant. The law of 1845 placed the railways in three grades and fixed a maximum payment per track mile for each, thus recognizing the principles spoken of. Both under that law and under the law of 1873 which succeeded it, weight was the primary basis of payment. About 1864 postal cars began to be introduced, and in 1873 Congress allowed the railways extra remuneration for the special service thus provided. That is to say, the railways got the regular pay for weight of mail carried and then extra pay for the car space and other facilities furnished. But this extra pay was and is given for full postal cars only—by which is meant cars 40 feet or more in length and wholly devoted to mail-carrying; nothing additional being paid for compartment cars, although the mail is separated *en route* as minutely in the latter as in the former.

The law of 1873 was amended in 1876 and again in later years, slight reductions in the scale of remuneration being made in each case. The exact mode of payment now in force is as follows:—

By weight.—The Department weighs the mail every four years, for a period of 90 successive working days. Owing to the rapid growth of the country and for kindred reasons, there is probably a good deal in what the railways say, that they always carry more mail than the Government pays for. On the other hand, railway managers used to be accused of padding the mails during the period of weighing; but this accusation has pretty well died out of late. Payments by weight are so arranged that the cost per ton per mile diminishes as the weight of mail matter increases on any given route. There is a certain rate per mile per annum for roads carrying up to 200 pounds per day, a lower rate in proportion to weight for roads carrying an average of 500

of mail matter increases on any given route. There is a certain rate per mile per annum for roads carrying up to 200 pounds per day, a lower rate in proportion to weight for roads carrying an average of 500 pounds a day, a still lower rate in proportion where 1,000 pounds are carried, lower again for 1,500, and so on. This, as said, brings about automatically a reduction of the rate per ton per mile as the volume of matter conveyed on any given route increases.

It is well to note that the effect of this system of payments is, indirectly, to help roads traversing new regions. The rates per ton per mile vary from $20 on certain routes where the traffic falls much below 200 pounds a day to 6 cents on routes such as that between New York and Philadelphia, where the traffic amounts to 150 tons or more a day. In other words, practically the same policy exists now as has existed from the beginning. To-day an indirect advantage is given to services performed in thinly settled communities by means of the graduated payments just described; whereas formerly this advantage was bestowed openly, Congress empowering the Department to treat one railway differently from another according to the nature of the country served and the amount of mail traffic carried.

By postal cars.—Over and above payment by weight, the following rates per track mile per annum—not for each single trip, however, but for each round trip—are allowed for full postal cars:—

40 ft. car, inside measurement.	$25 00
45 ft. " " "	27 50
50 ft. " " "	32 50
55 ft. or more.	40 00

Payment by weight alone would, from the nature of things, be unfair to the railways employing postal cars, an inordinate amount of space in each car being devoted to Post Office business by comparison with weight of mail carried. For every ton of mail, American railways have to haul 19 tons of car; that is, the proportion of dead weight to live load is 19 to 1. The payments for postal cars both in the United States and Canada are, in reality, payments for the use by the Government of travelling post offices built and maintained by the railways

on account of the political influence exercised by persons connected with them. It appeared, however, that the rates established in 1873 were accepted reluctantly, and when they were reduced in 1876 and 1878 some of the railways, in order to avoid loss, felt obliged to remove such trains as were run primarily to expedite the mails. It was shown that the data produced before the Board of Trade were in large part erroneous and misleading. No attempt was made to establish the charge of political favoritism. The Commission found that on some railways the transportation of mails is carried on at a loss; on others it yields nothing, receipts about meeting expenses; while on others again it results in profit but not a large profit, the railways coming within this class being those running in and out of New York or other large centres. The Commission therefore declined to recommend any reduction in the rates of payment.

Thus far no one in the United States or elsewhere has been able to hit upon a strictly logical or coherent mode of payment. Some of the Washington officials suggest that compensation by weight should be abolished and compensation by car space substituted; others, that space, frequency of service and speed should be made the basis. Both these methods are open to grave objection. Other experts again favor the English plan of special contracts; they contend that as conditions differ to a greater or less extent in the case of every road, the present mode of compensation is bound to be unfair to some of the roads or else to the Department. On one point there is tolerably unanimous agreement, that the railways should be relieved from the performance of the side services.

The Zone-Rate Proposal.

It may also be said that a fairly good case has been made out — not before the Joint Commission, but by experts writing in magazines and scientific newspapers — for the division of the United States into

Function of Modern Postal Car.

To put it differently, the work of handling the mail is now performed in a very considerable measure on premises furnished by the railways instead of on premises furnished by the Government; with this important distinction, that the postal cars are not, like post office buildings, stationary, but move with great speed from place to place so that a letter now reaches its destination about as quickly as a passenger. The delays which used to occur in the distributing offices are thus obviated, much of the work once done by them being now performed on board the train. Similar advantages are derived by the public from the use of compartment cars, and, in smaller measure, from that of baggage cars; in fact, the railways have completely revolutionized the transport service of the Post Office Department, rendering it safer and incomparably more expeditious.

In the United States the side services are performed by the railways, but a railway is not obliged to perform them at its own cost where the post office is more than 80 rods from the railway station.

The amount expended on railway mail service in the United States for the fiscal year ending June 30th, 1907, was as follows:—

Transportation for railway routes	$45,118,000
Railway postal car service.	5,889,000
Total.	$51,007,000

The mileage of rail routes on which mails were carried was 207,000. In 1898 a Joint Commission was appointed by Congress to examine into the prices paid for the transportation of mails. Its report was issued in 1901. It had been stated by a member of the National Board of Trade that the railways were overpaid, and, though this was not perhaps formally charged, that certain roads were receiving excessive sums on account of the political influence exercised by persons connected with them. It appeared, however, that the rates established in 1873 were accepted reluctantly, and when they were reduced in 1876 and

zones and the payment of special rates within each zone. In the West and on the Pacific Slope the cost of operating railways is greater than in the East, and it is urged that the rates for carrying the mail should be proportionally higher. As has been said, the effect of the graduated payments for weight of matter carried is to establish a higher rate per ton per mile in newer than in older regions. This does not mean, however, that the railways serving the new regions are making more money; on the contrary, no one pretends that when the greater cost of service to themselves is considered, they have much, if anything, of a surplus remaining. As a matter of fact, most of these roads carry the mail without profit or at a direct loss. A Western railway, a railway in any new region, will carry the mails at a loss if for no other reason than that it is obliged to do so in order to facilitate the business of its customers, of the grain men, of the farmers who live along the route and the public which it serves generally. Hence it is suggested that these roads should be placed in a category by themselves and paid rates distinctly higher than those given to railways traversing regions of an older civilization and a denser mail traffic. To borrow an illustration from Canada, it is as if it were proposed to divide the Dominion into three parts and give the railways operating West of Lake Superior and as far as Winnipeg a higher scale of remuneration than those operating East of it, and to put those running between the Rocky Mountains and the Pacific on a better footing still.

Not long ago the cost to the Department at Washington of sending a letter to Circle City, Alaska, was $350. The report of the Postmaster-General for 1868 states that for a single stage route between the termini of the Union Pacific and the Central Pacific, Wells, Fargo & Co. were paid at the rate of $1,750,000 a year. These extreme cases are cited merely to show that the Post Office Department has always had to pay more for services in the West than in the East, so that the demand of the

paid at the rate of $1,750,000 a year. These extreme cases are cited merely to show that the Post Office Department has always had to pay more for services in the West than in the East, so that the demand of the Western railways for a higher scale of remuneration than is given elsewhere is not, on its face, at all unreasonable. The cost of moving a train in the Western country is 20 to 25 per cent. greater than in the East; fuel is dearer, so is labour, so are metals and materials of all kinds, while the climate in winter is more disturbing to railway operation. Besides, owing to the slender population fewer mail trains can be run, which means that the expense of the average train is greater. For these reasons no one complains because freight and passenger rates are higher in the West than in the East. Lastly, on grounds of public good, new regions are always treated by Government with favor. Most American authorities commend the Post Office Department for paying higher rates to Western railways if only to encourage them to establish more frequent train services for the benefit of the isolated settler.

By Act of Congress of 1876 it was provided that "railroad companies whose railroad was constructed in whole or in part by a land grant made by Congress on the condition that the mail should be transported over their road at such price as Congress should by law direct, shall receive only 80 per cent. of the compensation authorized by this Act"; that is, 80 per cent. of the rates paid to other roads. The provision does not apply to all roads that have received Government assistance, but only to such as received land grants on the understanding that they were to be paid less for carrying the mails than other lines. With us in Canada any new road subsidized by the Dominion has, as a rule, to render service to the Dominion Government of a value up to 3 per cent. per annum of the subsidy.

Method of Payment in Canada.

Here in Canada we pay the railways an arbitrary sum per track mile or an arbitrary sum per train or running mile. Under the track mile method, the Post Office Department virtually rents the track at so

according to class or standard. The three classes into which American railways were divided received $50, $100, and $300 each per track mile per annum. The Canadian lines asked to be divided into two classes, one to receive a maximum of $100, the other a maximum of $110. In 1853, when only a detached portion of the Atlantic and St. Lawrence division of the Grand Trunk was open for traffic, the Government agreed to pay that Company $110 per track mile per annum, the side services being performed by the Post Office Department. This sum, which happened to be the amount paid by the United States Government for the carriage of mails on the American end, viz., Portland to Island Pond, of the Atlantic and St. Lawrence division, was accepted by the Grand Trunk as an "experimental" rate, and was paid to it down to 1858, by which time its main line had been opened. The Company thereupon protested that $110 per mile was too low, the rates on the leading American roads running from the Atlantic seaboard to the West ranging, as it showed, from $200 to $300 per mile. Instead of increasing the rate to the Grand Trunk, however, the Government reduced it to about $70 per track mile, but the Company refused to abide by the reduction and continued to base its accounts against the Department on the old rate of $110. Efforts to have the matter settled by arbitration fell through, although on one occasion (1863) arbitrators were appointed and had even commenced work. Mr. Brooks, of Boston, arbitrator for the Grand Trunk, demanded $250 per mile, the Company to perform the side services, while Mr. George Moffatt, of Montreal, the Government arbitrator, was ready to concede the equivalent of $145.

The minor railways were for some time "paid on account," that is, there was no fixed rate till 1858, when the following scale was established by Order-in-Council, September 18th:—

(1) For a daily service over any line of road, one per day each way, $30 per track mile per annum if by day trains; $40 if by night trains.

much a year without reference to the number of trains employed in carrying mails. Thus upwards of twenty trains a day run over the Grand Trunk between Toronto and Hamilton, all of which are or may be used by the Department; but for this considerable service the Grand Trunk receives no more than for a service of two or three trains a day elsewhere. Where the tracks of a railway paid on the track-mile basis are used by another road carrying mails, the latter receives no remuneration for the service performed on those tracks. For instance, the Intercolonial uses the Grand Trunk from St. Rosalie to Montreal but receives nothing for the service it performs on that portion of the Grand Trunk, which is already rented by the Department. On the train or running mile method the Department pays the railway for every mile run by each car carrying mail. With us, then, weight of mail matter is not considered, as in the United States, nor do we prescribe trains or take account of the special conditions of each railway mail route, as is done in England. Frequency of train service is, of course, a factor with us inasmuch as it affects the car mileage and, therefore, the amount payable to each road. Otherwise our system of compensation is wholly arbitrary and founded on no intelligible rule.

From 1759 until 1851 the Post Office Department in Canada was managed by the Imperial Government. From 1851 until Confederation, in 1867, each Province had a department of its own, although there was a uniform rate of postage over all of 3d. per half-ounce. The Postmaster-General of the Province of Canada (Upper and Lower Canada) was soon called on to deal with the railways. Construction of the Grand Trunk was commenced in 1852. The main line of the Great Western was opened in 1854. A few minor lines were already in existence. When negotiations for carrying the mails were begun, the railways fell back on the system then in vogue in the United States and suggested payment according to class or standard. The three classes into which American railways were divided received $50, $100, and $300 each per track mile per annum. The Canadian lines asked to be divided into two classes, one to receive a maximum of $100 the other

(2) For mails sent as ordinary baggage or freight, 2 cents per single train mile where the mail does not exceed two hundred weight; any additional service or weight to be paid for in proportion.

Then, in 1863 (Order-in-Council, August 12), a new scale was established for the Grand Trunk, namely:—

(1) $60 per track mile per annum for one daily service each way between Toronto and Quebec, Toronto and Sarnia, St. Mary's and London, Quebec and Rivière du Loup, Richmond, P.Q., and the Boundary line towards Portland. Each of these trains to be express trains with postal compartments "as nearly as may be one-third of a car."

(2) If a second passenger train — express, accommodation or mixed — is run between Sarnia and Quebec, London and St. Mary's, or Richmond and the Boundary, the payment to be $40 per track mile per annum.

(3) Mails sent as ordinary baggage or freight 2 cents per single train mile under the conditions of the Order of 1858, which remains in force.

(4) An allowance of $20,000 a year for carrying the ocean mails to and from Quebec, and to and from Portland.

The Commission of 1865.

So matters stood, the Grand Trunk still protesting against the low scale of remuneration, until 1865 when a Commission, of which

So matters stood, the Grand Trunk still protesting against the low scale of remuneration, until 1865 when a Commission, of which Mr. William Hume Blake was chairman, dealt with the whole subject on behalf of the Post Office Department. Mr. Brydges, for the Grand Trunk, set forth the difficulties of various kinds which that road had encountered, and asked for special consideration. This view the Commissioners at first refused to entertain, although at a later stage they allowed that the Grand Trunk had special claims which should be considered, such as the difficulty of keeping it open in winter, and, apparently, its political services in uniting Upper and Lower Canada—though the latter are hinted at rather than acknowledged. The Commissioners would not admit that the sum paid to English or American railways "afforded any guide as to the rates which should be paid in Canada"; and proceeded to compare the carriage of mail matter with that of express matter and ordinary freight, at length concluding that it was "through freight as to which the railway company is relieved of every expense beyond the mere cost of moving it."

Such a classification would hardly be accepted by experts to-day. Without labouring the point, it may be asked why, if mail matter was merely freight, the Post Office Department charged such a tremendous sum for the part it played in handling it. Say that 40 letters go to a pound. Postage was then (1865) five cents, equal to $2 per pound, or $40,000 per car of ten tons — a rate that would have staggered a shipper even if the load had consisted of gold and precious stones. Clearly the Department regarded mail matter as something superior to any other commodity; consciously or not, it took account of its unique value to the individual and the community as well as of the extraordinary conditions imposed by Government upon the railway carrier.

With their own curious theory in their minds ,the Commissioners assumed that a rate of five cents per running mile for one-third of a car, of a possible capacity of 3 1-3 tons of mail matter, travelling at freight train speed, would be fair remuneration. From this they reasoned that if the five cent rate were increased by 60 per cent. where the third of a

(2) In addition, night train each way daily (except Sunday) between Montreal and Toronto, with a day train between Toronto and Sarnia, thus furnishing a second continuous service between Montreal and Sarnia.

(3) On all branches one local train at least each way daily, Sundays excepted.

(4) The Department to have the use of all other passenger trains. A postal car to be attached to each train if required. Dimensions of postal compartment defined. Free carriage of mail clerks. Special ocean mail train between Montreal and Quebec to be continued. When special ocean mail train is required between Portland and Montreal, to be paid for extra at the rate of $1.00 per mile from Portland to the Boundary.

(5) All side services to be performed by the Grand Trunk.

In consideration Mr. Brydges asked for an annual track-mile payment commencing in 1865 at $150, and increasing $2.50 a year during the life of the contract until it reached $160 in 1870. The Commissioners recommended that this offer should be accepted. They also recommended that the rates to be paid to the Grand Trunk from 1858 should be calculated on the basis of $150 per mile, deducting the cost of the side services, which down to 1865 had been performed by the Department.

The Government had thus two reports to deal with. For a short time the first was put in force on all lines; then the second relating to the Grand Trunk was put in force on that road, which soon received $160 per mile per annum for its main line, and, later, $80 for its branches. It is worthy of note that while the Commissioners disclaimed

car was carried on quick passenger trains, and by 20 per cent. when carried on slower passenger trains — making it 8 cents for express and 6 cents for accommodation and mixed trains — that "would be liberal compensation for the service at present required by the Post Office on the ordinary railroads of the Province." Yet at this very time the Grand Trunk was receiving 16 cents per train mile for a single service, and 10 cents for a double service, for carrying the United States mails between Portland and the Boundary line.

The Commissioners went on to say that main lines, where more postal service is performed, should be paid a higher rate than branch lines, where less is done. The Grand Trunk they regarded as the "most important line in the Province, its importance to the Post Office bearing no proportion to the price paid for its services." Hence they recommended that the Grand Trunk should be paid 10 cents per train mile for quick passenger, and 6 cents for slower passenger trains; that the Great Western should receive 9 and 6 cents, while on other roads the scale should be 8 and 6 cents. Finally, the new scales for the Grand Trunk and the Great Western were to date back to 1858 by way of compensating them for the loss they had sustained under the reduced scales of that year.

The Arrangement with Grand Trunk.

The general report of the Commissioners was dated March 29th, 1865. A week earlier, however, they submitted a special report in favor of the adoption of certain proposals made by Mr. Brydges on behalf of the Grand Trunk. Mr. Brydges desired to enter into a five-year contract with the Department for the following services:—

(1) Daily service (Sundays excepted), each way, between Quebec and Sarnia.

(2) In addition, night train each way daily (except Sunday) between Montreal and Toronto, with a day train between Toronto and

any intention of giving the Grand Trunk unusual consideration they ended by confessing that it was entitled to it. It is nowhere openly stated in the reports of the Commission that the Grand Trunk deserved well at the hands of the Government as a political agency in cementing Upper and Lower Canada; but that was the current view in Parliament and in the newspapers, and there can be little doubt the Commissioners were influenced by it.

At a later period the value of the Intercolonial as a political agency was recognized by the Government, not merely in building it at the public expense, but by giving it $130 per track-mile per annum, main line and branches, for carrying the mails. This was really a larger payment than the $160 for main line and $80 for branches allowed to the Grand Trunk, since the Department performs the side services on the Intercolonial main line and branches, whereas the Grand Trunk itself performs them on the Grand Trunk main line and the Department on the Grand Trunk branches only.

Schedule of 1865 Still Prevailing.

And now we arrive at a remarkable fact in our narrative — the rates fixed in 1865 are virtually the rates paid to the railways to-day. One of two things — either the railways were egregiously overpaid then or they are wholly underpaid now. The former hypothesis is scarcely tenable. All the evidence and presumption goes to show that the arrangement of 1865 was deemed temporary and would never have been accepted by the railways had they understood it was to last for forty years.

They have frequently asked for an increase and have usually been told that an increase was impossible because the Department did not pay. The Post Office is an institution devoted to the interests of the people, to the convenience of their business, the maintenance of their

told that an increase was impossible because the Department did not pay. The Post Office is an institution devoted to the interests of the people, to the convenience of their business, the maintenance of their social r lations and other ends of public utility; whether it pays or not, therefore, in the sense of earning more than it spends, is a question viewed by most persons with indifference. One might as well call for a department of militia or a department of public education to pay. But that the Post Office should make both ends meet and even show a surplus chiefly, if not altogether, at the expense of the railways by keeping them down to rates fixed at a time when the work they did was a mere fraction of that which they are doing now, is surely not a creditable condition of things. The railways are not branches of the public service like the Post Office itself, but, omitting the Intercolonial, enterprises in which a vast amount of private capital has been invested in the belief that, like any private customer, the Crown in Canada will give them a fair return for the services it calls on them to perform.

Another reason occasionally advanced for refusing to increase the rates of 1865 is that under those rates Canadian railways are getting more than American railways would get for a like amount of work done for the Post Office Depar.ment of the United States. This argument is supported with extracts from a report made to the Joint Commission on the United States Postal Service, above spoken of, by an officer (Mr. Bradley) who was sent to Ottawa in 1898 to enquire into the cost and other details of our railway mail service. Mr. Bradley frankly confesses, however, that no rational comparison between the relative cost of the two services can be made simply because there is no tangible ground for comparison. The American mode of payment is, as we have seen, based on weight, or, to be more exact, on weight multiplied by distance which brings out ton mileage. In Canada we do not employ weight or any other rule save rule of thumb. It is possible to show by guessing at things, and where no common standard exists nothing but guessing remains, that in this or that instance the

routes used in carrying the mails was a little over ten times the length in Canada, the American railways received over 30 times the remuneration granted to the Canadian railways. (The figures for 1905-6 are given for Canada because 1906-7 was a fiscal period of only nine months). Except in a few instances, some of which will be noted further on, the rates paid to the Canadian railways to-day do not exceed those established in 1865. Our system of payments is unfortunate in being based upon no sort of method and is further confused through want of uniformity in dealing with the side services. In 1865, in instructing the Blake Commission, the Department stated that it did not "consider it desirable" that these services "should be entrusted to the railways"; it "would prefer to retain a direct supervision over the performance of that as of all other descriptions of ordinary mail contract service." The Commission reported, however, in favor of the Grand Trunk offer to perform the services in return for its new scale. The Grand Trunk continues to perform them on its main line except at a few new stations, whilst the Department performs them on the Grand Trunk branches as well as throughout the main lines and branches of the Canadian Pacific and Intercolonial. In a rearrangement of rates it would obviously be well to have the services done altogether by the Department as in Europe, or altogether by the railways as in the United States.

An Uneven Classification.

A more serious anomaly is found in the treatment of certain lines as main lines while other lines of equal or greater importance are treated as branches. In 1865 every line of any pretensions was put down as a main line, and, with a few exceptions, has been rated as such ever since in the Department's books. On the other hand, important new lines, which would then have been classed as main lines, are now classed as

cost of carrying the mails is greater in Canada than it would be if the route were in the United States; or, on the contrary, and this is one of Mr. Bradley's own calculations, that the cost of railway mail transportation per mile in Canada, taking it all round, is under nine cents, whilst in the United States it is eleven. Mr. Bradley says of this conclusion that it is not to be depended on "because of the utter absence of statistics regarding the weight of mail carried in Canada"; and as little dependence can be placed on other conclusions since all are but jumps in the dark.

Contrast Between Canadian and American Payments.

The cost to Canadian and American railways of performing work for the Department is among the vital data missing. The State of New York, which would be lost in the immense spaces of the Canadian North West, contains a larger population than the whole of Canada. Does it cost the Canadian Pacific no more to transport the mail through Manitoba than the West Shore through New York? How many trips each 200 miles ng would a Canadian Pacific train have to make before its earnings f arrying the mails amounted to those of a New York Central train for ingle journey of the same length? In the absence of light on such p ., and, indeed, on all points, it was scarcely worth while for Mr. Bradley to attempt an analysis. The only practicable method of comparing the cost of carrying the mails in the two countries is the rough and ready one of looking at general results:—

A.—In Canada in 1905-6 the mails were carried over railways aggregating 20,275 miles. Amount received by the railways $1,545,000.

B.—In the United States in 1906-7 the mails were carried over railways aggregating 207,000 miles. Amount received by the railways $31,000,000.

That is to say, while in the United States the total length of rail routes used in carrying the mails was a little over ten times the length in Canada, the American railways received over 30 times the remuneration granted to the Canadian railways. (The figures for 1905-6 are given

branches for no better reason, apparently, than that in the process of railway consolidation that has been going on of late they have been absorbed by still larger lines.

This state of affairs works most unfairly to the Canadian Pacific, which has come on the scene since 1865 and played a leading part in the work of consolidation. The Canadian Pacific has been unjustly dealt with in another way. The Grand Trunk and Intercolonial were placed on the footing of political trunk lines, East and West, and paid virtually the same amount. No one can question the importance of the political service rendered by the Canadian Pacific to the Dominion in the last 25 years. Yet the Department has not only shown it no favor on that account, but, as we shall see, has refused it the rates to which it is entitled as an ordinary railway mail carrier, and this notwithstanding the heavy extra cost of carrying the mails through the West.

True, Ministers in times past wrote as though they thought something out of the way ought to be done for the Canadian Pacific because of its political character. In the Order-in-Council of February 10, 1891, fixing the postal rate on the main or transcontinental line, the Postmaster-General set forth that a "special rate of $160 per mile had been "given to the Grand Trunk in 1865 on account of its bringing Upper "and Lower Canada into closer communication, and afterwards the "Intercolonial was paid $130 per mile for a service of a similar nature "between the older Provinces and the Maritime Provinces"; adding that the Canadian Pacific might "fairly maintain a claim as respects "the portion of the railway in question based upon the same grounds." But while the value of the Canadian Pacific as a national enterprise and an interprovincial link was thus recognized, nothing came of the recognition — in adjusting the Company's remuneration the Department lost sight it.

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and an interprovincial link was thus recognized, nothing came of the recognition — in adjusting the Company's remuneration the Department lost sight it.

Prior to 1891 the Canadian Pacific main line from Fairville (St. John N.B.) to Vancouver was paid 12 cents per train mile. In 1891 it received $105 per track mile. In 1895 (Order-in-Council June 20) this was raised to $130. That is the fixed rate of payment to-day for the main line, although in consequence of allowances made (Order-in-Council, June 25, 1895) for mails carried between certain points by local trains, the actual rate amounts to $136.35. As for other Canadian Pacific lines, payment of the line from Montreal to Quebec was changed (Order-in-Council, February 19, 1896) from a train mile basis which had yielded about $68 per mile per annum to a track mile payment of $100 per annum, and at or about the same time a similar change was made in the case of the Ottawa and Prescott and Ottawa and Brockville lines. All the other Canadian Pacific lines are still paid on the train mile basis. The lack of system in classifying lines and in paying for the transport of the mails lands us in results not only remarkable in themselves but noticeable for this, that they are unfair to the Canadian Pacific above any other road in the country. Let us select a few instances from the East:—

The Grand Trunk line from Levis to Montreal is classed as a main line receiving $160 per track mile, whereas the Canadian Pacific line on the opposite shore, which furnishes a more direct postal service to and from the City of Quebec, receives only $100.

The Grand Trunk line from Montreal to the Boundary at Rouse's Point, 50 miles, is rated as a main line and paid $160. The Canadian Pacific road from Ottawa to Prescott, 52 miles, and that from Ottawa to Brockville, 72, are classed as inferior lines and paid $100, or $60 less than the Rouse's Point line has been getting for years.

Such Grand Trunk lines as those from London to St. Mary's, London to Sarnia, Wyoming to Petrolia, etc., are rated as main lines and paid $160, whilst such Canadian Pacific lines as the Quebec and St. Martin's Junction, Montreal and Smith's Falls, Vaudreuil and Ottawa,

miles long, another eleven miles, three five miles. None are overburdened with Post-Office business. On the other hand, the Canadian Pacific has several considerable branches in New Brunswick, such as the Fredericton and Woodstock, 64 miles long, and the McAdam Junction and Edmundston, 163 miles. The Department pays the latter, not $130 per mile per annum, but 8 cents per train mile for postal cars and 4 cents for baggage cars, while the former receives 4 cents only; which means that their receipts from the Department, speaking at large, are less than half those of the older Intercolonial branches.

The Grand Trunk line between Suspension Bridge and Windsor, 229 miles, receives, all told, about $200 per track mile. No doubt, in a postal light, it is a valuable route. But why should it be classed as a main line when the Montreal-Toronto section of the Canadian Pacific is classed as a branch? And why not encourage postal intercommunication between points in Canada as generously as intercommunication between Canada and the United States?

The Canadian Pacific in the West.

Thus far we have dealt with lines in the older Provinces. Turning to the North-West, we find the state of affairs to be even more unjust towards the Canadian Pacific. The old train-mile rates used in 1865 for the Canada of that day are practically in force in the West, notwithstanding that the conditions differ in almost every respect and the cost of haul is so much higher. Perhaps the readiest way of bringing home the injustice done to the Canadian Pacific is to cite the fact that while its main line receives only $136.35 per mile per annum from the Canadian Government, the much less important line of the Minneapolis, St. Paul and Sault Ste. Marie Railway, from Hankinson to Portal, 345 miles, receives $238.54 per mile per annum from the Gov-

Sudbury and Sault Ste. Marie, Toronto and Owen Sound, and Toronto and Sudbury, are rated as branches and paid on the train mile basis. Moreover, while these important Canadian Pacific roads are treated in that fashion, Intercolonial lines running between unimportant points like Pugwash Junction and Pugwash, Painsec and Point du Chêne, Oxford Junction and Brown's Point, etc., are paid $130 per track mile.

Other Remarkable Anomalies.

The Canadian Pacific main line from Fairville to Vancouver is paid $23.65 less per mile, counting allowances for local trains, than the Grand Trunk main line from Levis to Sarnia was paid under the arrangement of 1865. This, of itself, is enough to show that the existing system of payments is illogical and unjust. The Grand Trunk between Montreal and Toronto receives $160 per track mile with an extra allowance of $25,000, making in all $240 per mile. The Canadian Pacific between the same points is paid on a complicated train mile basis and receives very much less. Why not put the two roads on an even keel, giving the Grand Trunk extra compensation for performing the side services, or calling on the Canadian Pacific to perform the side services on its line, or devolving the side services altogether on the Department? It may be said that this would be unfair because the Grand Trunk carries more mail matter between Montreal and Toronto than the Canadian Pacific, chiefly for the reason that it runs through an older section of country. That is a proper subject for argument. Only in view of its payment of $160 per mile per annum to an unimportant branch, 35 miles long, from Arthabaskaville to Doucet's Landing, belonging to the Grand Trunk, the Department might find it difficult to maintain that remuneration is regulated in strict proportion to work performed.

Put the case in another way. Here are all the older Intercolonial branches, big and little, receiving their $130 per track mile per annum. Some of them are scarcely more than sawmill sidings. One is seven miles long, another eleven miles, three five miles. None are overburdened with Post-Office business. On the other hand, the Canadian Pacific has several considerable branches in New Brunswick, such as

ernment of the United States, to which is to be added a small sum ($25 per mile per year) for postal car service over 50 odd miles of the route. Many equally striking contrasts might be taken from the accounts of the Post Office Department at Washington, but this will suffice. It is quoted because the territory lying between Hankinson and Portal on the Canadian boundary resembles in various aspects that within the Canadian West, although the main line of the Canadian Pacific, which is paid so much less than the Soo road, carries a great deal more mail matter.

In the single State of Minnesota the railways receive more for carrying the mails than all the railways in the Dominion. In Ohio, which is traversed by a number of rail routes between the Eastern and Western States, they are paid four times more per annum than the whole amount received by the Canadian roads for carrying the mails in Canada; in Pennsylvania twice more, in New York nearly three times more, in Illinois over twice more. The payments in these States are cited because the population in each case may, in a measure, be compared with the population of Canada. In the two Dakotas, with a combined population at the census of 1900 equal to less than one-seventh that of Canada, the railways are actually paid more by $400,000 a year than all the roads in Canada. In Michigan, with a population of 2,400,000 against our 5,400,000, the roads receive within $120,000 of what ours are paid; and so on. These comparisons show conclusively that the Canadian railways are very poorly remunerated for carrying the mails, and also throw a good deal of light on a proposition that has recently been before the Dominion Parliament, namely, that passenger rates in Canada should be reduced to a minimum of two cents per mile because a like reduction has been made by the legislatures of some of the American commonwealths just named. As regards the cost of carrying the mails, and even of carrying passengers, the Canadian railways can fairly say that it is greater in their case than in that of American

of the American commonwealths just [illegible]
rying the mails, and even of carrying passengers, the Canadian railways can fairly say that it is greater in their case than in that of American roads. The coal duties exact a heavy toll from them, and the iron and steel tariff, including the new duty on steel rails, hits them hard. They have to cater, too, for a widely scattered population, carrying freight along the parallels of latitude from East to West, and from West to East, for long distances, and having to compete at various points with shorter American lines running North and South.

An Objection with Answer Thereto.

It may [illegible] said that the Canadian Pacific was subsidized by the Canadian G[illegible]nment and for that reason is not entitled to more than it is getting. The obvious answer is that the subsidy was given to private capitalists to secure the completion and operation of the road after the Canadian Government had spent ten years of time and many millions in money on the undertaking without much success; and as no one at that time suggested that the Company should, for that reason, be denied a fair remuneration for carrying the mails, it is not right to raise such a plea in bar now. But if the Canadian Pacific was subsidized, let us remember that the Intercolonial was built entirely at the expense of the Canadian taxpayer, yet is paid, mile for mile, much more than the Canadian Pacific for its service to the Post Office Department. So, too, the original Grand Trunk was subsidized, a large sum, which, with interest, remains unpaid, having been advanced by the Government of the old Province of Canada; whilst its later branches have all been directly bonused. The Canadian Northern has been treated with at least equal generosity. In the United States there is scarcely a railway of any importance which has not been subsidized, in whole or in part, by Congressional land grants, State land grants, or State or municipal cash bonuses, leaving aside those which were financed by Congress and have since repaid what they owed. Everyone acquainted with the Canadian North-West is aware that the Can-

per mile per day between Fairville and Vancouver. For this an American railway would be paid upwards of $200 per mile, exclusive of the pay for full, or, as we say, straight postal cars, *i.e.*, cars of certain dimensions devoted exclusively to the mail service, of which six are running constantly on the main line between Montreal and Winnipeg. Altogether, at the American rate of pay, the Canadian Pacific would draw about $275 per track mile per annum for the services performed by its main line, instead of $136.35. Putting the whole case in its briefest form, the Company in 1905-6 received from the Post Office Department at Ottawa $730,000 for carrying the mails on its main line and branches; whereas for carrying the same weight of mail on the same mileage in the United States it would have been paid in excess of $1,600,000.

It is scarcely worth while arguing further in behalf of a more adequate rate of remuneration for the Canadian railways in general, and for the Canadian Pacific in particular. I venture to maintain that the facts and figures already produced constitute an overwhelming case. It may be added, however, that the whole face of things has changed since 1865, and more especially since 1895. It is impossible to compare the business done by the Department in the earlier time with the business it does now, first, because the returns for 1865 were confined to the Provinces of Upper and Lower Canada, and, second, because after Confederation new Provinces entered the Dominion and disturbed the basis of comparison. But if we begin as late as 1876 we find that in the last thirty years the number of post-offices has risen from 5,000 to over 11,000, and the number of letters carried, saying nothing of other mail matter, from 49,500,000 to 375,000,000 per annum; whilst the railway mileage has increased from 4,500 to over 20,000. The period of most rapid progress was that from 1895 to 1906, the number of letters having increased by 235,000,000, as compared with an increase of only 90,000,000 for the nineteen years from 1876 to 1895, with other

adian Pacific has been opening up regions in advance of settlement and without much enquiry as to whether the new lines were likely to pay or not at the beginning, its aim being to facilitate colonization in the public interest. The Company does not blame the present Minister or his officials for its being so badly remunerated in that part of the Dominion, but respectfully urges that the system of 1865, which is responsible for the injustice, should be revised without further delay.

Without going too deeply into comparisons between the rate of pay to the Canadian Pacific in the Canadian North-West and that to American roads in the American West, let us state that for four branches in North Dakota, with an aggregate mileage of 363 miles, the Soo Railway receives $26,300 per annum, or about $70 per mile, being paid in each case so much per track-mile; while the Canadian Pacific, paid on its branches at the rate of from 2 to 8 cents per train mile, does not receive in any case beyond $50 per mile, even for branches of far more moment to the Post Office and traversing a much more densely populated country; whilst the average rate is below $30. In the United States they take account of the heavy cost of operating trains in the West, whilst our rate of payment is based on that fixed in 1865 for the railways of that period in the older Provinces.

The Recent Weighing.

In September-October of 1907 the Department weighed the mails carried on the main line of the Canadian Pacific and found they had increased 66 per cent. since the previous weighing in 1903. This enables us to form some idea of the growth of the Post Office business in the West. Since 1895, when the postal remuneration of the Canadian Pacific main line was last adjusted, the increase in the weight of mail matter has probably not been less than 150 to 200 per cent. The actual weight carried during the 30-day weighing of 1907 was 8,322 pounds per mile per day between Fairville and Vancouver. For this an American railway would be paid upwards of $200 per mile, exclusive of the pay for full, or, as we say, straight postal cars, *i.e.*, cars of certain

things growing almost as rapidly. If we go on to look at the domestic and foreign trade of the country, at the progress of industry as represented by the development of home manufactures and the acreage of new land brought under cultivation, at the addition to the Savings Bank deposits and the increase of insurance, the fact is obvious that we have made immense strides since 1895; and the Post Office Department has benefitted accordingly. It is now able to show a surplus of half a million a year instead of the chronic deficits formerly urged against the just claim of the railways for more liberal remuneration.

The Growth of the West.

Naturally, the West is advancing more rapidly than the older sections of the Dominion. In 1901 there were 650,000 people between Winnipeg and the Pacific Ocean. To-day there are over a million, or as many as the three Maritime Provinces contain. By next census there should be close on 1,500,000. With this growth the mail service of the Canadian Pacific is, of course, waxing heavier every day. The quantity of mail matter going to and coming from the West is now so great that a single postal car will not always hold it all, and a portion has to be carried in the baggage cars. The Company is double-tracking its line between Winnipeg and Fort William at an expense almost equal to the cost of building the original single track. While the prime object is to expedite the transport of grain, a secondary result will be the multiplication of local passenger and mail services. The Company's mileage in Canada has increased from 6,600 in 1895 to 10,000, and is still growing. Since 1895 two transcontinental trains have been put on the main line for the greater part of the year in place of one, and the postal service on all the Western, as on all the Eastern, branches has also been improved.

on the main line for the greater part of the year in place of one, and the postal service on all the Western, as on all the Eastern, branches has also been improved.

I beg to submit, therefore, that the Canadian Pacific Railway has earned the right to demand that its lines shall be placed on the same footing in point of remuneration as those of any other road in the country. It does not seek special consideration for the work it has performed in binding the two sections of the Dominion together and keeping the trade of the West as far as possible in the hands of the East. It merely asks that, after these thirteen years, its business arrangements with the Department shall be revised and that it receive the reasonable recognition to which it is clearly entitled.

I have the honor to be, Sir,
Yours Obediently,

W. R. Baker.

Secretary's Office,
Canadian Pacific Railway,
Montreal, September 1st, 1908.